ANNUAL REPORT 1976

# CANADIAN GENERAL ELECTRIC COMPANY LIMITED

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**Corporate Headquarters**
Commerce Court North
25 King Street West, Toronto, Ontario

**Mailing Address:**
P.O. Box 417, Commerce Court North
Toronto, Ontario  M5L 1J2

**Affiliates**
Amalgamated Electric Corporation, Limited
Canadian Appliance Manufacturing
  Company Limited
Dominion Engineering Company Limited
Dominion Engineering Works Limited
Genelcan Limited
  Genelcan Realty Limited
Genelcom Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

**Auditors**
Peat, Marwick, Mitchell & Co., Toronto, Ont.

**Transfer Agent and Registrar**
National Trust Company, Limited, Toronto, Ont.

**Officers**

*Chairman of the Board*
Walter G. Ward

*President*
*and Chief Executive Officer*
Alton S. Cartwright

*Vice Presidents*
David F. Abel
William R. C. Blundell
William J. Briggs
Douglas R. Brown
Victor L. Clarke
L. Robert Douglas
Max Drouin
Ivan R. Feltham, Q.C.
Robert N. Fournier
Robert T. E. Gillespie
Merritt E. Gordon
Standley H. Hoch
Alfred M. Hurley
Archibald F. Johnston
Richard C. Johnston
Francis Moskal
D. Forrest Rankine
Reginald D. Richardson
William D. Rooney
V. Gerold Stafl
Robert Story
Robert S. Thompson
Alan G. Trites, Q.C.

*Secretary*
Ivan R. Feltham, Q.C.

*Assistant Secretaries*
Phyllis Edge
Ivan A. Grantham
Carl B. Haller
Dean A. Wasson

*Treasurer*
William J. Briggs

*Comptroller*
V. Gerold Stafl

# HIGHLIGHTS OF OPERATIONS

| | 1976 | 1975 |
|---|---|---|
| **Financial** | | |
| (Dollar amounts in millions, except per-share amounts) | | |
| Sales of products and services | $879.4 | $822.1 |
| Net earnings before extraordinary items | 32.7 | 36.1 |
| Earnings as percentage of sales | 3.7% | 4.4% |
| Net earnings per share | 4.00 | 4.41 |
| Dividends declared per share: | | |
| Common – regular | 1.40 | 1.20 |
| – special | — | 1.00 |
| **Statistical** | | |
| Average number of employees | 17 512 | 18 789 |
| Number of shareholders of common shares | 1 330 | 1 356 |
| Common shares outstanding at year end | 8 178 800 | 8 178 800 |
| **Sales by major categories** | (In thousands) | |
| Apparatus and Heavy Machinery | $432 503 | $389 564 |
| Construction and Industry Supplies | 264 519 | 285 642 |
| Consumer Products | 209 965 | 195 275 |
| Corporate eliminations and unallocated items | (27 560) | (48 347) |
| Total Company | $879 427 | $822 134 |

Sales by category include intra-company transactions. To the extent that sales are recognized in more than one category, appropriate elimination is made at the corporate level.

**Contents**





Pour un exemplaire de ce rapport en français, s.v.p. écrire au Secrétaire.

# REPORT TO SHAREHOLDERS

Walter G. Ward, Chairman of the Board and (seated) Alton S. Cartwright, President and Chief Executive Officer.

Canadian General Electric sales of products and services in 1976 totalled $879 million, a 7% increase over 1975. On a constant dollar basis, sales volume was about equal to 1975, with a sales increase for heavy apparatus products offsetting reductions in construction and consumer goods.

**Net earnings** of $32.7 million, before extraordinary items, were 9% below 1975. Before extraordinary items net earnings were 3.7% of sales in 1976 compared with 4.4% the previous year.

**Net earnings per share,** before extraordinary items, were $4.00 in 1976 compared with $4.41 in 1975, $2.92 in 1974 and $2.28 in 1973.

**Export sales** in 1976 represented 11.5% of total Company sales, compared with 10.5% in 1975. CGE continued actively to seek export business against world competition in over 40 countries.

**The distribution of sales revenue** in 1976 was as follows: 32.7% went to employees in the form of wages, salaries and benefits, and 59.1% went to suppliers of materials and services. The remaining 8.2% was divided between governments for taxes, 3.5%; shareowners as dividends, 1.3%; and reinvestment in modernization and expansion, 3.4%.

**New orders** received by the Company in 1976 totalled $724 million. The Company ended the year with unfilled orders of $922 million, of which $345 million are for delivery in 1977.

**Highlights of the year's operations** in the Company's Apparatus and Heavy Machinery Division include shipment of the first of three 700 MW hydroelectric generators for the Grand Coulee project on the Columbia River in Washington State. The remaining two generators will be shipped in 1977. Late in 1976 the Division received a letter of intent for the design and manufacturing of five hydro generators for Venezuela against competition from suppliers from four countries. These generators, valued at about $50 million, will be the largest air-cooled generators in the world.

**The Transmission and Construction Products Division** made its first shipments of the new design of air-blast breakers to a major U.S. utility for use on its 500 KV transmission system. A high-voltage solid-state direct-current transmission system installation in British Columbia was completed and power is now being transmitted to Vancouver Island from the mainland via underwater cable with greater efficiency.

**The Consumer Products Division** introduced a number of new household appliances, including a new Slow Cooker. Heavy demand continued for CGE's new Canadian-designed and built three-door, energy-conserving refrigerator introduced in 1975. Exports of lamp products to 31 countries reached a record of $6 million in 1976.

As the year closed, markets for most electrical products mirrored the slow growth of the overall economy. Over a six-month period, demand for heavy apparatus products for utilities and industry, for electrical supplies and materials serving non-residential construction markets, and for consumer products, has grown progressively softer. This is the first time in several years that all three of the principal electrical product sectors have shown concurrent weakness with little prospect for early recovery.

Another new factor in the current economic cycle is that the capital investment recovery which followed the last five post-war recessions has not yet taken place in Canada. One of the reasons for this, of course, is the low rate of growth in the Canadian economy and in the economies of our trading partners. But, coupled with this are concerns for the viability of any new longer-term investments in view of high cost structures in Canadian industry generally, uncertainty as to the direction of the Anti-Inflation Controls program and the outcome of the current GATT negotiations.

**Higher cost structures in manufacturing** are primarily the result of rapid increases in salary and wage costs not offset by equivalent increases in pro-

ductivity. The need for productivity increases is a matter of increasing importance, not only to combat inflation but also to enable industry to compete more effectively in domestic and export markets. In 1975, Canada's trade deficit in manufactured goods reached a record $10 billion and even after deducting the imbalance in automotive products, imports of manufactured goods exceeded exports by $8.6 billion. The problem is not isolated to one or two sectors but is evident in broad segments of the economy.

It is not a simple problem. To solve it will require some restructuring of industry, significant improvements in our use of human resources and reinvestment in highly efficient production facilities. To provide the capital needed for investment, legislative changes are required to allow businesses to deduct for tax purposes more than historical costs of their fixed assets. This would enable them to retain cash needed for equipment replacements at current cost levels. The inadequacies of tax depreciation, along with the taxing of inventory profits coupled with sliding profit margins, have led to a serious decline in capital formation. That capital formation is essential if industry is to have the means to increase productivity to reduce costs and to bring supply more into balance with demand to minimize inflationary pressures.

**The GATT negotiations** now under way in Geneva appear to be committed to tariff reductions with the expectation that this will result in increasing trade between the member countries. Any substantial tariff reductions on products of secondary manufacturing at this time, when Canadian labour rates in many cases exceed those in related industries in the U.S., could have serious effects on secondary manufacturing in Canada. And if such reductions are implemented before appropriate restructuring of Canadian operations or before the needed reinvestment in productivity is made, then the loss of manufacturing activity and employment could be substantial.

Again with regard to the GATT negotiations, an objective of this Round is for the participants to seek agreement on the dismantling of non-tariff barriers to trade. Where such NTB's have been established to facilitate a particular country's industrial strategies, we have little confidence that a code of performance without a commitment to abandon the related industrial strategy will have any material effect on real access to such markets. We have made our views on this known to the negotiators.

There is no doubt that these factors — adverse trends in the cost of production in Canada, inadequate capital formation and the possibility of reduced tariffs — coupled with concerns as to the future direction of Canadian economic policy — have created a degree of uncertainty that is reflected in the current low rate of capital investment and in the lead indicators and projections as to the future levels and growth rates of industrial activity. The Company is, of course, affected both directly and indirectly by this since the same factors influence the decisions of our customers, both industrial and consumer, to invest in the products and services the Company produces.

**Such a period of change and uncertainty,** in Canada and indeed worldwide, demands extraordinary care in the development and implementation of business plans. The Company has attempted to maintain a disciplined approach to Strategic Planning.

An example of this is the action taken with respect to our major appliance business.

**Strategic Planning** for our major appliance business identified several years ago the need for greater economies of scale in Canadian manufacturing if the industry were to remain competitive, taking into account rising costs in Canada and the possibility of lower tariff rates. Several alternative ways to achieve the necessary rationalization or specialization were evaluated and it was concluded that the best course of action would be to seek a merger of compatible existing manufacturing operations in Canada.

Negotiations to bring this about were entered into and in November, 1976, the Company and GSW Limited announced a merger of their major appliance businesses to form a new company, the Canadian Appliance Manufacturing Company Limited (or CAMCO), and that CAMCO had reached agreement for the purchase from Westinghouse Canada of its consumer appliance operations. This undertaking provides opportunities for the efficient consolidation of manufacturing, marketing, sales, distribution and servicing with significant benefits to consumers, the shareholders and to the Canadian economy.

**A major share of the Company's Research and Development** continued to be directed toward products and services for power generation and long distance transmission and for equipment for the resource industries. Total R&D expenditures over the last five years have averaged over $8.0 million annually.

**Responding to cost increases** and scarcity of fuels and energy supplies, the Energy Conservation Council of the Company reported energy economies in 1976 of close to a million dollars for the second successive year.

**Looking ahead,** we are confident that electricity will play an increasing role in providing the energy needed in Canadian industry and homes as other forms of energy become more expensive and limited in supply. In the energy field, Canada has an outstanding asset in its proven CANDU system and in its capacity to produce and utilize advanced designs of products and systems for the generation and transmission of electric power. In several areas,

such as hydro generation, high voltage DC and long distance EHV systems, Canada has demonstrated a world leadership position. Your Company is well positioned in these key technologies. We are continuing to work with the government and others to help formulate and encourage a cohesive national energy strategy that builds on the strength of Canada's outstanding assets in its electrical manufacturing and utility industry.

The Board of Directors announced, effective January 1, 1977, Mr. Alton S. Cartwright's election as President and Chief Executive Officer of the Company.

In 1976 Mr. J. Alexandre Béland and Senator Paul Desruisseaux retired from the Board after 18 and 12 years' service respectively. The Directors wish to express their gratitude for these years of valuable service. We welcome Senator Maurice Lamontagne and Mr. Antoine Turmel to the Board.

Vice President Reginald D. Richardson has announced his intention to retire on April 30, 1977. Mr. Richardson has made a number of distinguished contributions during his 37 years with the Company and served for the last 3½ years as Corporate Executive.

The Directors wish to thank all employees of CGE, past and present, for their contributions to the Company's continued success.

On behalf of the Board of Directors.

W G Ward

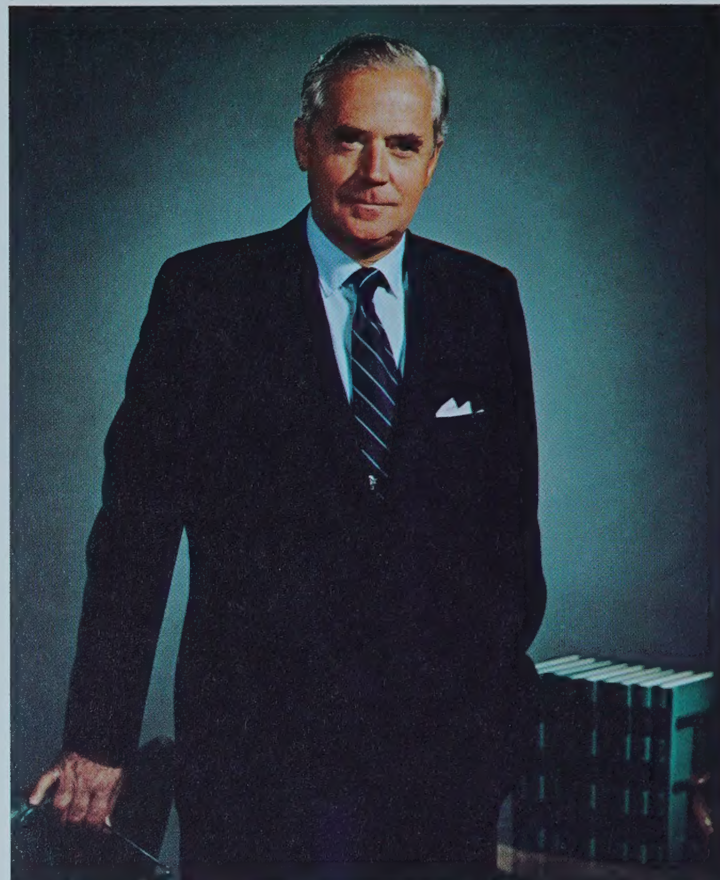
W. G. Ward
Chairman of the Board

Alton Cartwright

A. S. Cartwright
President and Chief Executive Officer
Toronto, March 18, 1977



## ON WALTER WARD'S RETIREMENT



In accordance with long-standing personal plans, on December 31, 1976, Mr. Walter G. Ward relinquished the position of Chief Executive Officer, and has announced his plan to retire as Chairman of the Board after the Shareholders' Meeting on April 27, 1977. He has agreed to continue as a Director, drawing on his many years of productive experience.

Starting in Peterborough at age 16, Mr. Ward has participated, over a span of 46 years, in all phases of the Company's growth and development. He became its youngest General Manager at age 38 in 1953. Later in his career, he undertook senior management responsibilities with the General Electric Company in the United States and Europe and became the first Canadian to be elected a Vice President of the General Electric Company. He was elected President of CGE in August 1970, and Chairman of the Board and Chief Executive Officer in June 1972.

During the period 1971 through 1976, CGE sales increased from less than $500 million to nearly $900 million. Net income improved from $13.2 million to $32.7 million. The shareholders' equity increased by 38%.

These years of dynamic growth have seen the restructuring of the Company organization and businesses to be more productive in Canadian and world markets with over $120 million invested in new plant and equipment.

An advanced system of Strategic Planning has been put in place to improve allocation of resources for accelerated growth, and to provide a positive response to the changing needs and expectations of the Canadian people.

To his successors, Walter Ward leaves a company with great strengths in customer service, technology and finance, as well as in creative spirit and competitive drive.

# BOARD OF DIRECTORS

The Board of Directors represents a wide range of experience and leadership in industry, business and finance. Members of the Board are listed below, with the year they were elected to the Board shown in parenthesis.

**MacKenzie McMurray,**
Chairman of the Board,
Dominion Bridge Company Limited,
Montreal, Quebec. (1966)

**Maxwell C. G. Meighen, O.B.E.,**
Chairman of the Board,
Canadian General Investments Limited,
Toronto, Ontario. (1966)

**William F. McLean,**
President,
Canada Packers Limited,
Toronto, Ontario. (1967)

**Robert V. Corning,**
Vice President and General Manager,
Lamp Business Division,
General Electric Company,
Cleveland, Ohio. (1967)

**Walter G. Ward,**
Chairman of the Board,
Canadian General Electric Company Limited,
Toronto, Ontario. (1968)

**Stanley C. Gault,**
Vice President and Sector Executive–Consumer Products and Services Sector,
General Electric Company,
Fairfield, Connecticut (1970)

**Robert B. Kurtz,**
Vice President and Group Executive–Industrial and Power Delivery Group,
General Electric Company,
Fairfield, Connecticut. (1972)

**Alton S. Cartwright,**
President and Chief Executive Officer,
Canadian General Electric Company Limited,
Toronto, Ontario. (1972)

**Edward E. Hood, Jr.,**
Vice President and Group Executive–Power Generation Business Group,
General Electric Company,
Fairfield, Connecticut. (1972)

**John F. Burlingame,**
Vice President and Group Executive–International and Canadian Group,
General Electric Company,
Fairfield, Connecticut. (1973)

**Alva O. Way,**
Vice President–Finance,
General Electric Company,
Fairfield, Connecticut. (1974)

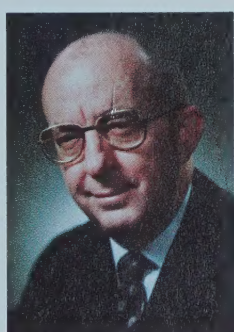
**J. Peter Gordon,**
Chairman of the Board and Chief Executive Officer,
The Steel Company of Canada, Limited,
Toronto, Ontario. (1974)

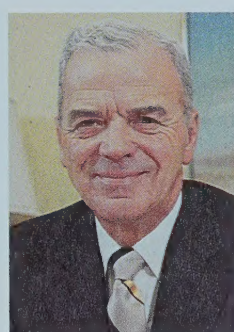
**Denis W. Timmis,**
Business Executive,
Vancouver, British Columbia. (1974)

**The Honourable Maurice Lamontagne, P.C.,**
Member of the Senate of Canada,
Ottawa, Ontario. (1976)

**Antoine Turmel,**
Chairman of the Board and Chief Executive Officer,
Provigo Inc.,
Montreal, Québec. (1976)

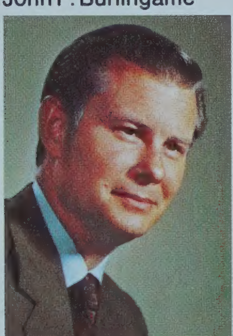

John F. Burlingame


Alton S. Cartwright


Robert V. Corning


Stanley C. Gault


J. Peter Gordon


Edward E. Hood, Jr.


Robert B. Kurtz


Maurice Lamontagne

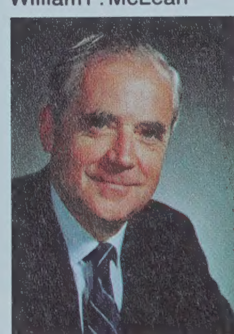

William F. McLean


MacKenzie McMurray


Maxwell C. G. Meighen


Denis W. Timmis


Antoine Turmel


Walter G. Ward


Alva O. Way

## Management

### CORPORATE

**Douglas R. Brown**
VP–Human Resources Project

**Harry W. Johnson**
Manager–Corporate Employee Relations

**Victor L. Clarke**
VP and Corporate Executive–Corporate Planning and Development

- **David F. Abel**
  VP–Corporate Strategic Planning and Review
- **Richard C. Johnston**
  VP–Corporate Technology Planning and Development

**Ivan R. Feltham**
VP–External Affairs and Corporate Law

- **Robert N. Fournier**
  VP–Corporate Customer Relations

**Standley H. Hoch**
VP–Corporate Finance

- **William J. Briggs**
  VP and Treasurer
- **V. Gerold Stafl**
  VP and Comptroller

Left to right: D. F. Abel, R. C. Johnston, V. L. Clarke

H. W. Johnson, I. R. Feltham, D. R. Brown, R. N. Fournier

V. G. Stafl, S. H. Hoch, W. J. Briggs

This chart shows the Company's organization as it was established January 1, 1977, following the sale of the Major Appliance Department and Consumer Products Service Operation to CAMCO.

**Alton S. Cartwright**
President
and Chief Executive Officer

## OPERATIONS

**William R. C. Blundell**
VP and
Division Executive
Apparatus and
Heavy Machinery
Division

**L. Robert Douglas**
VP and General Manager
Apparatus and Heavy Machinery
Sales Department

**Max Drouin**
VP and General Manager
Dominion Engineering Works

**Walter R. Fell**
General Manager
Power Generation Department

**Merritt E. Gordon**
VP and General Manager
Industrial Apparatus Department

**D. Forrest Rankine**
VP and General Manager
Power Delivery Department

**Robert T. E. Gillespie**
VP and
Division Executive
Consumer and
Construction Products
Division

**Russell M. Baranowski**
General Manager
Housewares and Home
Entertainment Department

**Richard T. Martin**
General Manager
Construction Products Department

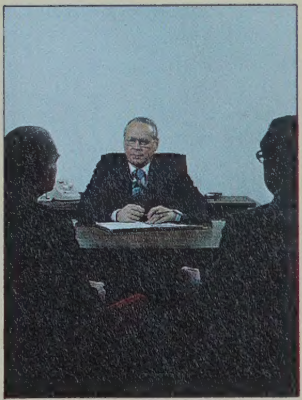
**Walter E. Noble**
General Manager
Materials and Specialty Systems
Department

**Robert Story**
VP and General Manager
Lamp Department

**Archibald F. Johnston**
VP and
General Manager
GESCAN Department

**M. Drouin, D. F. Rankine, W. R. Fell, W. R. C. Blundell, M. E. Gordon, L. R. Douglas.**

**W. E. Noble, R. M. Baranowski, R. T. E. Gillespie, R. T. Martin, R. Story**



**A. F. Johnston**

Canadian General Electric has experienced many periods of change during its 84 years of existence but few as difficult as the first half of this decade which saw the advent of double digit rates of inflation.

**The worldwide expansion of demand for goods and services** in the period 1971 to 1973 and the OPEC oil price increases were major factors causing a high rate of inflation. Most nations were forced to take measures to curb demand and cool their economies. This resulted in the 1974-75 recession, one of the most serious since the great depression of the thirties.

Recovery from the 1974-75 recession has been extremely slow. Relatively high inflation and unemployment and a low rate of growth have been general throughout the world. Economists do

**1. A meeting of Company strategic planners from both Corporate and Operating components.**
**2. The Metropolitan Toronto Police communications system, among the most modern in the world, was supplied by the Company.**
**3. Virtually unbreakable Lexan® plastic sheet is being used for an increasing number of applications, including this walkway in Calgary.**
**4. The CGE silicone urethane roofing system not only provides additional insulation but is more dependable than conventional roofing systems.**
**5. GE major appliances of the type shown here are now manufactured and sold by Canadian Appliance Manufacturing Co. Ltd.**

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not appear to be in full agreement on the reasons for this slow rate of recovery but one factor gaining prominence as an explanation is an inadequate rate of capital formation, particularly for facilities to provide productivity improvement.

**Turning to Canada,** during the cycle of expansion early in the decade and the ensuing recession Canada lost competitive position relative to other industrial nations due to faster rising wage and salary costs not offset by equivalent increases in productivity. Investments in more productive manufacturing facilities have lagged due to business uncertainties about the economy and factors such as a possibility of lower tariffs on imports, high interest and other costs – particularly wages and salaries in both the private and public sectors. As a result it now appears that Canada's recovery may be even slower than the low rate of growth being experienced in most other nations and capital formation below that required to re-establish a satisfactory rate of growth.

CGE's response to the uncertainties and lack of business confidence caused by eroding cost competitiveness and other factors of concern such as lower tariffs, has been to give increased emphasis to planning in an effort to make the most effective allocation of the company's financial, technical and human resources.

**With a strong engineering orientation** CGE has tended to concentrate much of its resources on products having a high technical content. These products enjoyed accelerated growth during the 1950's and '60's, and CGE paralleled GE's moves into such diverse fields as communications, chemicals and materials. CGE also grew in complexity through the acquisition of several companies, some of which were in fields not served by GE.

This increased complexity combined with growing uncertainty concerning the future of secondary manufacturing in Canada and a generally more rapid rate of economic change throughout

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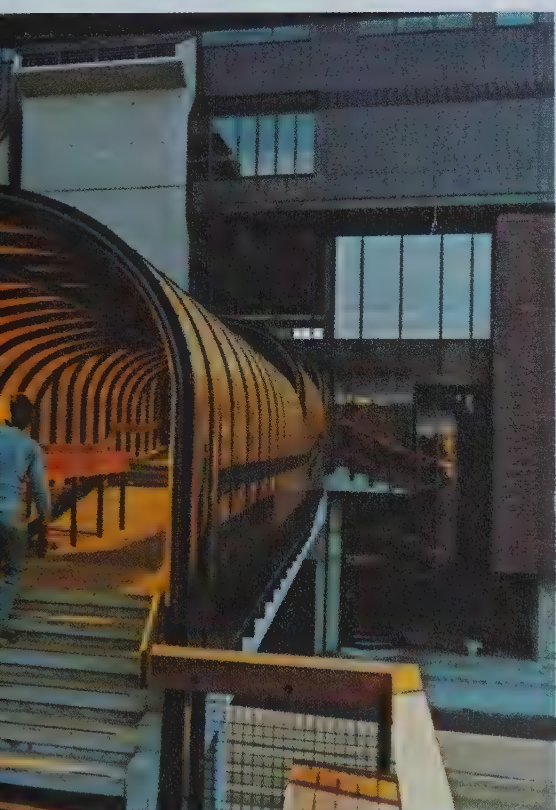

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the world has made it necessary for the Company to increase emphasis on strategic planning to try to determine appropriate priorities for CGE's profitable growth and development.

**The merger of the major appliance businesses** of CGE, GSW Limited and Westinghouse Canada Limited to form a new company, the Canadian Appliance Manufacturing Company Limited (CAMCO), is a direct result of efforts by CGE to plan priorities for resource allocation. The merger provides increased production volumes which warrant investment in the most advanced manufacturing equipment and processes.

An estimated $50 million will be spent by the new company in the next five years to effect the necessary rearrangements and the improvements in productivity. While the resulting unit volumes will still be smaller than that of the larger U.S. manufacturers, it is expected that the cost improvements possible through the rationalization will enable CAMCO to remain competitive with reasonable tariff levels.

**In its heavy machinery sector,** emphasis is being placed on expansion in market sectors in which Canada has indigenous advantages, such as mining, pulp and paper, hydro and nuclear generation, and long distance transmission of electricity from remote generation sites to the load centers.

**In the mining field,** Dominion Engineering's ore grinding mill customers are now located in eight countries. Recognizing international cost trends and shifting trade patterns, in recent years Dominion's strategy has shifted from export of complete mills to the procurement offshore of certain larger components, combined with export from its Montreal factory of complex components taking advantage of its major investment in computer-controlled tooling there.

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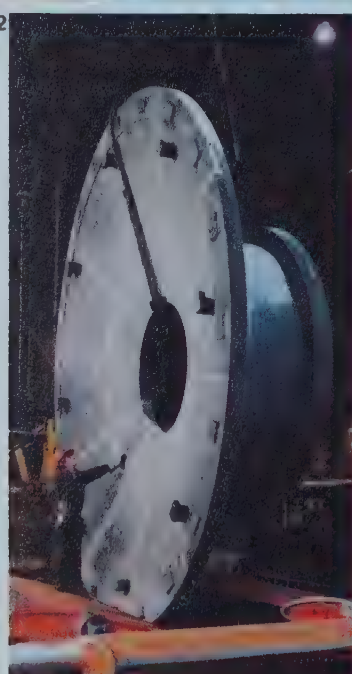

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Similarly, recognizing the national aspirations of emerging industrial countries such as Brazil, the Company is maintaining its participation in the hydro-electric power market there by working with a local firm in the manufacture of both turbines and generators, supplying certain components and design technology from Canada. In this way, CGE's maturing role as a supplier of hydro-electric turbine generator technology to developing countries is similar to the transfer of other technologies from General Electric to CGE.

**Frequently, CGE's planning for its products** involves different timing or different emphasis. For example, CGE's range timer manufacturing facility in Quebec City produces not only

**1. A fully automated Dominion five-stand cold mill — with 39,000 h.p. CGE main drives — installed in the Hamilton, Ontario, mill of Dofasco.**
**2. This 110,000 lb. iron casting is destined to become a head for a ball mill, part of one of 14 similar mills on order from DEW for mines in Brazil and Québec.**
**3. This large gear blank for a ball mill for a mine in Mexico is suspended from a crane in the Lachine plant of DEW.**
**4. A Dominion 261-inch-wide Papriformer-equipped high-speed newsprint machine installed in the F.F. Soucy mill at Rivière du Loup, Québec.**
**5. At Peterborough, an $800,000 program has been initiated for computer-aided design aimed at improving productivity and quality of drawings.**
**6. This hydro-electric generator rotor, shown on a 40-foot boring mill in Peterborough, is for a project in Guri, Venezuela.**
**7. At DEW, fabrication work is carried out on a runner for a 268,000 h.p. hydraulic turbine.**

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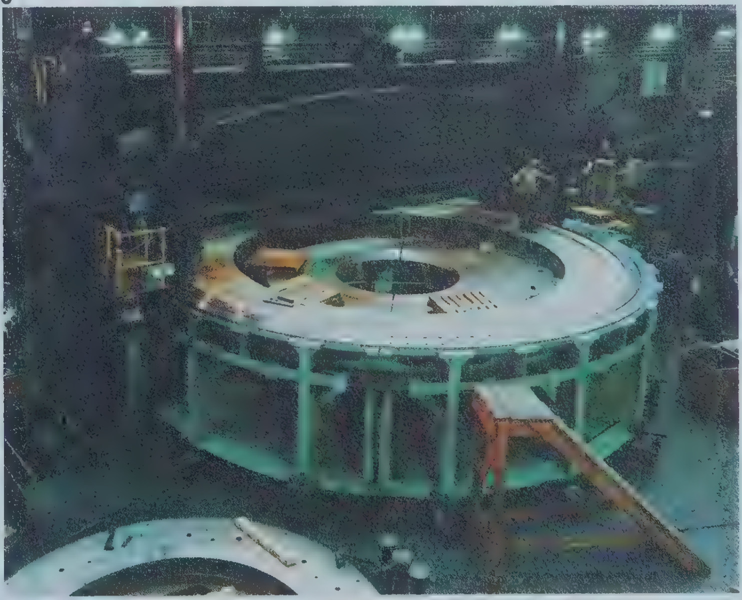


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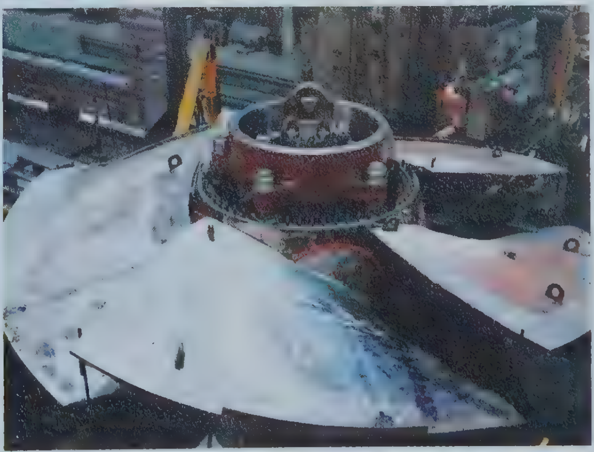

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1. Assembling range timers in the Quebec City plant. These clock-like devices start, stop and count off cooking times on electric ranges.
2. This is a British-type household range of the kind that will incorporate the range timers assembled in CGE's U.K. plant.
3. This 300 MVA phase shifter is to be installed at the St. Lawrence Transformer Station. It will be used to control the interchange of power between Ontario Hydro and the New York Power Authority.
4. Interrupter modules in one phase of a Peterborough-designed and -built ATB80 air-blast circuit breaker.
5. At this high voltage DC converter station near Eel River, N.B., the Company pioneered in new dimensions in solid state technology.
6. A nuclear fueling machine, designed and built in Peterborough, is shown under test.
7. Welding end caps on nuclear fuel bundles.
8. The Company supplied the nuclear fuel for Ontario Hydro's highly successful Pickering Nuclear Power Station.
9. The orange-striped building is the 18,600 square foot addition to Montreal Armature Co. Ltd. It exemplifies the Company's continuing program to improve apparatus service coverage and capability.

a line of electric range timers, but an equal volume of gas range timers, reflecting the different Canadian and international requirements for the product. To continue to serve the U.K. market in face of the devaluation of the pound has required a strategic response — the planned opening in 1977 of a CGE assembly plant in the U.K. to provide increased local content and less vulnerability to currency exchange movements, while still drawing on components made in Quebec and protecting the jobs of those who make them. Considerable research and development resources have been allocated to products related to long distance electrical transmission. Building on its experience with its Eel River, N.B., experimental facility, the Company has taken a world leadership position

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in the use of thyristors as switches to connect compensators to long distance transmission lines to improve their efficiency. Hydro-Québec is currently installing a CGE compensator system at Rimouski, Québec, prior to procuring its first James Bay requirements.

**The planning principles** of selectivity in resource allocation are illustrated by the Company's changed position in the nuclear power field. The Company has concentrated its efforts on developing specialized expertise in nuclear fueling machines and other key components of nuclear power stations such as nuclear fuel for CANDU reactors.

**To help to cope with uncertainty,** efforts are made to identify market sectors in which the Company can contribute effectively, and which are less vulnerable to economic cycles and foreign competition. The service sector fits these criteria, and substantial resources are being allocated to it. The 110% sales growth of its Apparatus Service Shops in the last three years, is producing above-average earnings while funding a major regional expansion program which will put the Company in closer contact with its customers.

**In assigning more resources** to the strategic planning function, both at the business and corporate level, the Company seeks to anticipate opportunities and threats to the sectors in which it participates, continually examining priorities to ensure that resources are sufficiently concentrated to enhance its position in the electrical industry while entering or maintaining participation in other growth sectors of the Canadian economy.

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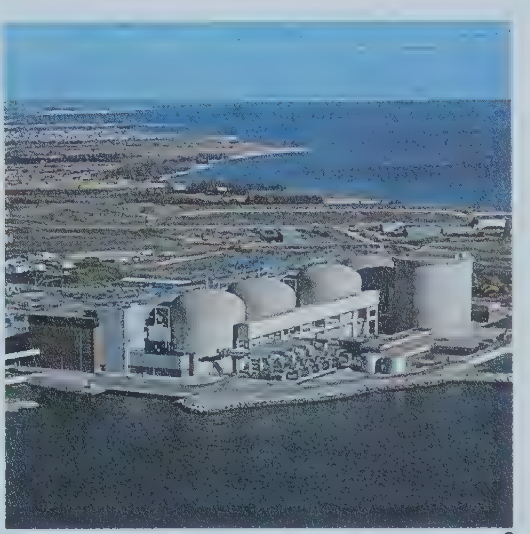

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# APPARATUS AND HEAVY MACHINERY DIVISION

Lack of confidence in the economy on the part of the market, combined with the high cost of money and a shortage of available funding, produced a relatively inactive orders year for the Division. Cancellation or deferment of large orders were characteristic of 1976. At the same time, foreign competitors were extremely active in the Canadian market.

**CGE continued to be a major nuclear fuel supplier** to CANDU generating stations in 1976. During the year, Ontario Hydro's Bruce A Station went on power with CGE fuel. At the same time an order was received for four years of replacement fuel for the same utility's Douglas Point Station. Orders were also received for seventeen 11,000 h.p. primary heat transport motors for Ontario Hydro's Bruce B Nuclear Station.

**Large domestic apparatus installations** by Dominion Engineering Works (DEW) included six 268,000 h.p. Francis turbines at Hydro-Québec's Manicouagan 3 project and the first of ten 135,000 h.p. propeller turbines at the Long Spruce project in Manitoba.

**An important event of the year** was the successful delivery of the largest steam turbine-generator ever built in Canada to the Hydro-Québec Gentilly II Power Station.

Work continued on orders received in 1975 for large turbines and generators to be supplied to the LG-2 James Bay Power Generation Project.

**Industrial machinery installations** completed by DEW in Canada in 1976 included a 261-inch Papriformer-equipped newsprint unit at F.F. Soucy, Quebec; an 84-inch, 4-hi, non-reversing cold mill at the Alcan plant, Kingston, Ontario; a 72-inch, five-stand, 4-hi cold mill with CGE 39,000 h.p. main drive systems at Dofasco, Hamilton, Ontario; and six 32-foot ore grinding mills at the Mount Wright project of Québec Cartier Mining.

Under way during the year were the installations of six ore grinding mills at the Sidbec-Dosco project, Port Cartier, Québec; and four mine friction hoists for Texas Gulf at Timmins, Ontario.

**The petrochemical industry** provided one bright spot in the order picture. In addition to new orders for the Syncrude Project, two 25 MW gas turbine generators were ordered by the Dow Chemical Company for its Fort Saskatchewan plant. Also, quotations for the MacKenzie Valley Pipeline project were completed and a proposal submitted to Canadian Arctic Gas Study Limited for the supply of fifty-four 30,000 h.p. gas turbine pumping units. Discussions continue pending approval of the project later in 1977.

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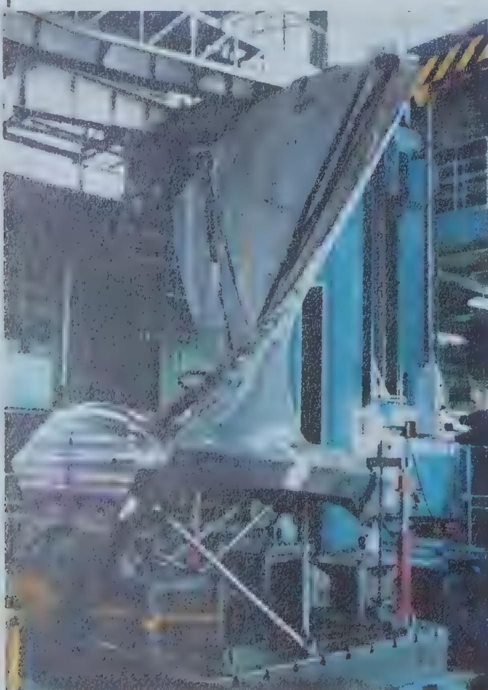

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1. A turbine component is machined on this numerically controlled horizontal boring mill at DEW. The mill is one of the modern machine tools installed at the plant to meet customer requirements for larger and more sophisticated equipment.
2. The Company is supplying two 110,000 KVA hydro-electric generators for the Wreck Cove project of the Nova Scotia Power Commission. The rotor spider for one of them is shown here on a milling machine.
3. Designed and built by Dominion Engineering Works, this is the most powerful hydraulic turbine in Québec being lowered into position at Manicouagan 3 project of Hydro-Québec.
4. This is the heaviest single piece of equipment ever shipped from the Peterborough plant. It is the 276-ton wound stator for a steam turbine generator at Hydro-Québec's Gentilly 2 nuclear power station.
5. This flame-cutting equipment for cutting steel plate into shapes is part of a $2 million investment in new fabrication facilities at the Scarborough plant.

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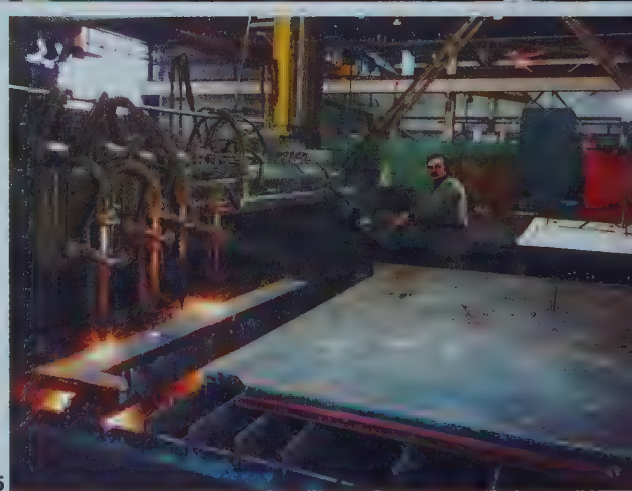

Quotations were also provided to other gas pipelines and gas processing plants during 1976 and these are expected to become orders this year.

**The export market** for the Division showed much activity compared with the domestic picture. DEW hydraulic turbine business was represented by the completed installation of three 820,000 h.p. Francis turbines (the largest and most powerful in the world) at Grand Coulee in the State of Washington; four 138,125 h.p. Kaplan turbines at Volta Grande, Brazil; and three 114,000 h.p. Francis turbines at Cachoeira Dourada, Brazil. Installations under way in 1976 included four 148,000 h.p. Kaplan turbines at Moxoto, Brazil and one 86,000 h.p. impulse turbine at Kundah, India.

A letter of intent for five large generators valued at approximately $50 million for the Guri II Hydro Electric Station, Venezuela, was received. Delivery is scheduled for 1978 with completion in 1980. An order was also received for fifty-eight 125 KW generators to be included on compressors supplied for a gas pipeline in the USSR. This is the first order the Company has received from the Soviet Union in more than 25 years.

**Major export orders of industrial machinery** during 1976 included two additional ore grinding mills for the La Caridad project of Mexicana de Cobre; a Papriformer wet end for the newsprint machine being built by DEW licensee, Over Meccanica, for installation at Balikesir, Turkey; continuous casting machine parts to Concast Canada for installation in Argentina; twelve ore grinding mills for the Sar Cheshmeh copper project at Kernan, Iran; and a complex board machine drive for New Zealand Forest Products.

**Manufacturing and service facilities** were substantially expanded during the year. DEW added a gun drill for paper machine suction rolls and two numerically controlled horizontal boring mills. A mini-computer application to the metallurgical laboratory's spectograph was also developed to improve casting quality.

A $2 million, 18,600-square-foot expansion of the Montreal Armature apparatus service shop with 35-ton lift capability was initiated to enable the handling of transformers, very large motors and heavy mechanical products. This will shortly be in service.

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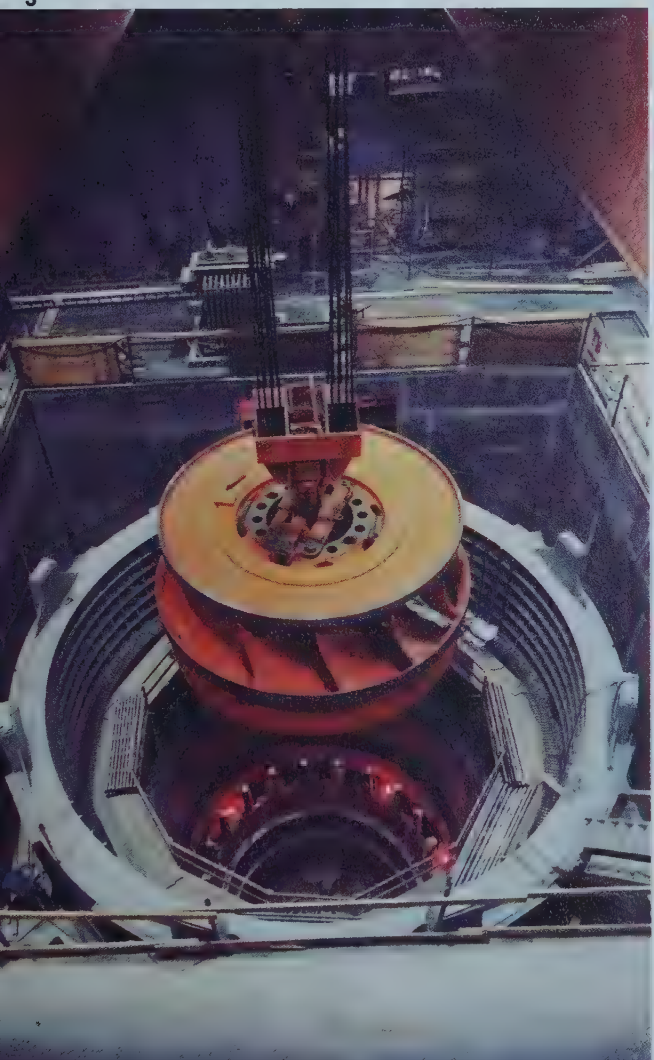

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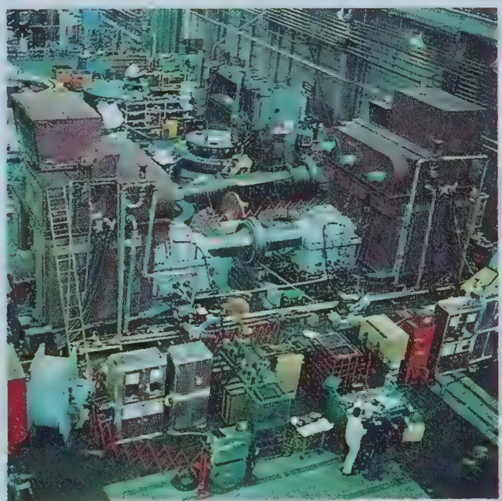

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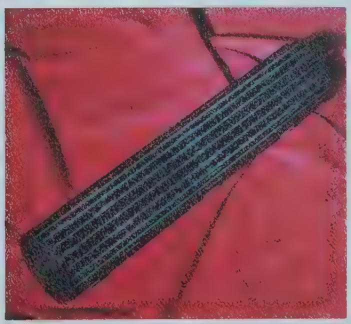

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**6. This powerful drive for a twin-screw Canadian R-Class icebreaker was built at the Peterborough plant. The Company is supplying propulsion equipment for two of these icebreakers.**
**7. This 19½-inch-long nuclear fuel bundle is of the type supplied by CGE to the CANDU program. It has the energy equivalent of 450 tons of coal.**

# TRANSMISSION AND CONSTRUCTION PRODUCTS DIVISION

The Division continued to contribute to the industry during 1976, introducing new products and setting new records in some areas.

**The Switchgear, Equipment and Components Section** saw the completion of its new Motor Control Centre design and prototype. Orders were taken for 1977 delivery.

**The Power Transformer Section** received a $16 million order from the Hydro-Québec James Bay Project for nine 735 Kv generator step-up transformers and fourteen 735 Kv shunt reactors.

Another large order was received from Ontario Hydro for a 300 MVA phase shifter which will be installed at the St. Lawrence Transformer Station.

An important installation made in 1976 was the B.C. Hydro Stage IV, Arnott VII high voltage direct current system. Employing solid state devices and other equipment similar to that used on the successful HVDC installation at Eel River, N.B., the system will provide the underwater link between Vancouver Island and the B.C. mainland.

**In the vital area of research and development** 1976 saw completion of extensive testing of the new ATB80 air blast breaker at the Hydro-Québec I.R.E.Q. research facility. The highest rated breaker in the GE system, it was designed at Peterborough. Indicative of the importance of this work is federal government support in the form of substantial grants under the Program for the Advancement of Industrial Technology (P.A.I.T.).

**The Communications Systems and Services Department** maintained a strong position in this specialized market, providing equipment and services for improved productivity and safety to Canadian industry, government and public institutions alike.

During the year the new Custom MVP line of products was introduced for the mobile radio general business market. The large Lower Fraser Valley, B.C., communication system for the R.C.M.P. was also installed. This, plus the successfully operating Metropolitan Toronto Police system, together with new orders for both the Peel and Halton Re-

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1. Many of the Division's products were shown at 'Electrical Showcase 76', an industry-wide exhibit that thousands of customers visited in six Canadian cities. CGE was the largest exhibitor.
2. This static compensator is for installation in the Hydro-Québec system at Rimouski. Static compensators are used to control voltage and maximize power flow on high-voltage transmission lines.
3. This 3-phase ATB80 air-blast circuit breaker, designed and built in Peterborough, is installed at the Widow's Creek Station of the Tennessee Valley Authority.
4. In a Toronto 'demonstration room', the latest in computer terminals are available for customer examination or for engineering and financial analysis programs.
5. Also in the demonstration room this "Intelligent Terminal", one of the newest developments in data processing, is used for order entry.
6. This Verlok cable was designed and manufactured at Peterborough for such applications as mining and high-rise buildings.
7. A new ground fault interrupting device being marketed by the Company — called a GFCI receptacle — is protecting this girl from a possible dangerous electric shock.

gional systems, ensured CGE continuance as the primary supplier of large, sophisticated police communications systems in Canada.

In the field of data communications, equipment leasing supported by Canada-wide service was introduced. Also, line printers and remote job entry systems were among additions to the popular TermiNet® line, as well as a complementary line of video display and intelligent terminals.

**The Division's GE Mark III® computer time sharing service,** offering both world-wide and coast-to-coast network facilities, showed good growth during 1976, and extended its marketing scope from interactive processing to remote job entry and facilities' management applications.

**The Wiring Devices Section** achieved substantially higher penetration in both construction and retail markets. Among the achievements were the selection of CGE Mark IV® electric baseboard heating for the Olympic Village apartments and the use of the new high/low energy conservation ballasts introduced in 1976 in a unique 'power groove' lighting system for a large B.C. Government building.

**Highlights of the Wire and Cable Section's** 1976 sales was an order for two 450-foot lengths (38 tons) of the new Verlok® power cable to span a lake bed.

Last year a special TV cabinet grade of Noryl® thermoplastic resin was developed in answer to a January 1, 1976, CSA regulation that all TV manufacturers use thermoplastic materials for cabinetry. CGE technicians worked closely with Canadian TV manufacturers and their plastic cabinetry moulders in meeting the new CSA requirements.

**CGE's new silicone urethane roofing system** effectively met the twin challenges of industrial roofing insulation and energy conservation in 1976.

CGE also entered the 1976 market with GE-designed and developed insulated casings and insulation systems for production oil and gas wells located in Arctic areas. The first order for 908 metres of Thermocase I® was received in August, 1976. It will be exported to the U.S.S.R. for use in western Siberia where The Canadian Drilling Research Association is drilling a well.

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**Canadian consumer product markets** experienced a second year of recession in 1976. Holding its share in markets which grew by only two percent in real terms, the Division concentrated its focus on the introduction of new products, quality improvement, and strengthened support of the franchise/dealer network. Thirteen new and six modified products were introduced during the year, and were well received by consumers.

**The Major Appliance Department** opened the year with strong growth over depressed early 1975 levels. However, the trend was reversed during the latter part of 1976 as consumer uncertainties made themselves apparent. This resulted in a less than three percent overall growth from 1975.

A timely positive note marking the second quarter was the introduction of Talisman Royale®, an innovative, multi-featured range, refrigerator and dishwasher trio. This featured extensive use of black glass and was well accepted by retailers and consumers alike. Countertop microwave ovens continued to show well above average growth as first-time purchasers continued to enter the market. An added feature on the Jet 90® microwave oven is a temperature sensor that eliminates timing guesswork.

**The home entertainment industry** experienced modest growth in 1976, with off-shore products substantially increasing market share. Standardization in production of the highly reliable Y colour TV chassis was accomplished in mid-year. Portable audio products continued their fast growth. Show-Off and Music Machine tape players, two LED digital clock radios and a two-channel CB/walkie/talkie unit were new product introductions.

**The Lamp Department's performance** was highlighted by strong export sales. Retail and photo markets were virtually

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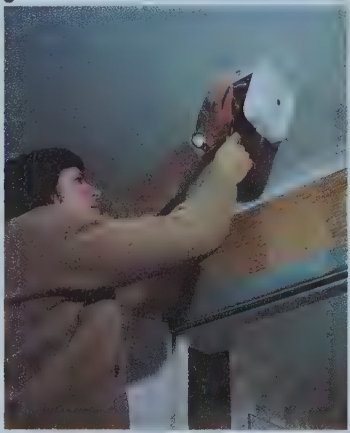

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unchanged from 1975, but the slowdown in construction caused a decline in the commercial and industrial segment.

During the year the Department moved towards the introduction and sale of products designed to more efficiently utilize the nation's energy resources. These included the eight-foot Watt-Miser® fluorescent lamp, the incandescent lamp, a new 175-watt multi-vapour lamp (these are installed in the Commonwealth Games stadium in Edmonton), a DAT projection lamp and a telephone indicator lamp. Auto lamp sales to the export market increased 49% in 1976 and three sealed beam lamp types were modified for export markets.

**A major expenditure was made** during the year to provide facilities for manufacturing Flipflash®, a significant new product designed and developed for the growing photo market. Full Flipflash production will be achieved in 1978.

**Housewares Department** established quality and productivity improvements as the major objectives of a comprehensive review of manufacturing activities undertaken in 1976. As a result, field failure rates declined by 10 percent and productivity increased by six percent over the previous year. These improvements are continuing.

A number of new housewares products were introduced. These included smoke alarms, king-size broiler Toast-R-Ovens®, drip coffee makers, slow cookers and styling and pistol dryers.

**The biggest ever radio and television advertising program** in the Division's history was undertaken during 1976. Sixty-second radio and thirty-second television commercials were used to maintain the high, favourable consumer attitude towards CGE and to provide pull-through sales for our franchised dealers.

**Consumer Products Service** continued to achieve a high level of consumer satisfaction through its service technicians. A highly successful 'Can I Help' campaign was launched in the fall of 1976 designed to stimulate employee response to the consumer's service needs.

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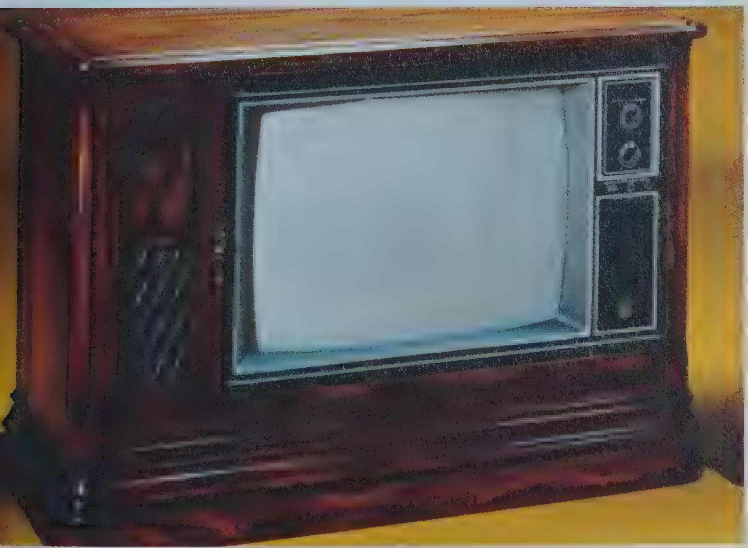

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1. The new Slow Cooker allows cooking in stoneware to produce better flavour and improve tenderness.
2. This new broiler Toast-R-Oven won enthusiastic customer acceptance.
3. This "Home Entry Smoke Alarm", available in AC and DC models, protects house and family.
4. Self Clean II® spray/steam/dry irons being produced at the Barrie plant.
5. Talisman Royale major appliances bring a 'touch of glass' to the kitchen.
6. Among its many features, this pistol-type hair dryer has three styling accessories.
7. Two new drip coffee makers went on the market.
8. Energy-saving Watt-Miser fluorescent lamps were introduced. These eight-foot units are shown here lighting a major department store.
9. New home entertainment offerings included this solid-state Black Matrix television receiver.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements on pages 21-23 and the related notes on pages 24-27 are prepared on the basis of generally accepted accounting principles. As an aid in evaluating these Financial Statements, the most significant of the principles followed by Canadian General Electric Company Limited are described below.

**Basis of consolidation**
The Financial Statements in this report consolidate the accounts of Canadian General Electric Company Limited and its subsidiary companies (all of which are wholly owned) except the sales finance subsidiaries which have been accounted for by the equity method; other long-term investments are carried at cost. The sales finance subsidiaries have not been consolidated because their operations are not considered material to the consolidated group.

All inter-company transactions and profits thereon have been eliminated in these consolidated financial statements.

A list of active subsidiary companies is shown on this page.

**Sales**
Sales of products and services to customers are reported in operating results only as title to products and materials passes to the customer and as services are performed as contracted.

**Pensions**
Current service costs are funded and are charged to operations as they accrue. Past service costs arising from improvements to the plans are charged to operations over varying periods, as they are funded or accrued, which approximate the remaining service lives of the employees affected.

Investments of Canadian General Electric Pension Trust, which funds the obligations of the Canadian General Electric Pension Plan, are carried at cost plus a programmed portion of unrealized appreciation on equities. This accounting reflects long-term market trends with the objective of adding to cost over time such amounts as will result in a common stock book value not more than 90% of its average market value over the prior five years. There are limitations to the amount of unrealized appreciation which may be recognized at any point in time. The actuarial funding programme uses 6% as the estimated rate of future earnings of the Trust.

**Foreign currency transactions**
Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transaction. Rates of exchange in effect at year-end dates are used to translate foreign currency balances in current assets and liabilities. Exchange adjustments are included in earnings.

**Inventories**
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method for substantially all inventories and is based on the cost of material, direct labour and manufacturing overhead.

**Plant and Equipment**
Plant and equipment is recorded at the original cost of land, buildings, equipment and equipment leased to others, less accumulated depreciation. The diminishing balance depreciation method is used to depreciate all plant and equipment except for leasehold improvements and certain equipment leased to third parties, which are being depreciated using the straight-line method.

Expenditures for maintenance and repairs are charged to operations as incurred.

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**Active consolidated subsidiaries**
Amalgamated Electric Corporation, Limited
Dominion Engineering Works Limited
Dominion Engineering Company Limited
Genelcom Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

**Active non-consolidated subsidiaries**
Genelcan Limited
Genelcan Realty Limited

# CONSOLIDATED STATEMENT OF EARNINGS

Canadian General Electric Company Limited and consolidated subsidiaries

| For the year | 1976 | 1975 | Note Reference |
|---|---|---|---|
| | (In thousands except per share amounts) | | |
| **Sales of Products and Services** | $879 427 | $822 134 | 1 |
| **Operating costs** | | | |
| Employee compensation, including benefits | 287 891 | 263 451 | 2 |
| Materials, supplies, services and other costs | 519 540 | 477 561 | |
| Depreciation | 15 739 | 16 840 | |
| Taxes, other than on income | 7 617 | 6 231 | |
| | 830 787 | 764 083 | |
| **Income from operations** | 48 640 | 58 051 | |
| Other income | 8 387 | 7 166 | 3 |
| Interest and other financial charges | (1434) | (936) | |
| **Earnings before income taxes and extraordinary items** | 55 593 | 64 281 | |
| Provision for income taxes | 22 894 | 28 206 | 4 |
| **Net earnings before extraordinary items** | 32 699 | 36 075 | |
| Extraordinary items | 2 264 | 7 760 | 5 |
| **Net earnings** | 34 963 | 43 835 | |
| Net earnings per common share before extraordinary items | $4.00 | $4.41 | |
| Net earnings per common share | $4.27 | $5.36 | |

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Canadian General Electric Company Limited and consolidated subsidiaries

| For the year | 1976 | 1975 | Note Reference |
|---|---|---|---|
| | (In thousands) | | |
| Retained earnings, beginning of year as restated | $240 342 | $214 551 | 6 |
| Net earnings | 34 963 | 43 835 | |
| Transfer from general reserve | 12 300 | — | |
| Dividends declared | (11 455) | (18 044) | 7 |
| **Retained earnings, end of year** | $276 150 | $240 342 | |

The summary of Significant Accounting Policies on page 20 and the Notes to Financial Statements on pages 24-27 are an integral part of this statement.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Canadian General Electric Company Limited and consolidated subsidiaries

| December 31 | 1976 | 1975 | Note Reference |
|---|---|---|---|
| | (In thousands) | | |
| **Assets** | | | |
| Current assets: | | | |
| Cash | $ 1 841 | $ 3 383 | |
| Short-term investments | 8 750 | 19 500 | 8 |
| Receivables | 184 998 | 188 274 | 9 |
| Inventories | 197 616 | 219 195 | 10 |
| Deferred income taxes | 13 573 | 12 940 | |
| | 406 778 | 443 292 | |
| Costs recoverable under contract | 25 097 | 25 013 | 11 |
| Long-term receivables | 38 760 | 38 664 | 12 |
| Long-term investments | 7 200 | 4 491 | 13 |
| Plant and equipment | 90 974 | 88 491 | 14 |
| Other assets | 2 378 | 4 480 | |
| | $571 187 | $604 431 | |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Short-term borrowings | $ 8 851 | $ 1 902 | 15 |
| Accounts payable | 49 503 | 71 573 | 16 |
| Progress collections | 98 643 | 113 855 | |
| Dividends payable | 2 864 | 2 864 | |
| Taxes payable | 7 849 | 37 107 | 17 |
| Other liabilities and accruals | 71 509 | 66 367 | 18 |
| | 239 219 | 293 668 | |
| Deferred income taxes | 11 382 | 13 540 | |
| Non-current accruals | 17 406 | 17 530 | 19 |
| Shareholders' equity: | | | |
| Capital stock | 27 030 | 27 051 | 20 |
| Retained earnings | 276 150 | 240 342 | |
| General reserve | — | 12 300 | |
| Total shareholders' equity | 303 180 | 279 693 | |
| | $571 187 | $604 431 | |

On behalf of the Board: W. G. Ward, Director
A. S. Cartwright, Director

The summary of Significant Accounting Policies on page 20 and the Notes to Financial Statements on pages 24-27 are an integral part of this statement.

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Canadian General Electric Company Limited and Consolidated Subsidiaries

| For the Year | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| **Source of funds:** | | |
| From operations, before extraordinary items | $46 156 | $54 484 |
| Dispositions of plant and equipment, net of tax | 5 169 | 40 039 |
| Decrease (increase) in other assets | 2 102 | (301) |
| | 53 427 | 94 222 |
| **Application of funds:** | | |
| Increase in long-term receivables | 96 | 38 229 |
| Plant and equipment additions | 21 127 | 21 094 |
| Increase in long-term investments | 2 709 | 413 |
| Increase in costs recoverable under contract | 84 | 2 408 |
| Dividends | 11 455 | 18 044 |
| Redemption of special employees' preferred shares | 21 | 29 |
| | 35 492 | 80 217 |
| **Net increase in working capital** | 17 935 | 14 005 |
| **Working capital at beginning of year** | 149 624 | 135 619 |
| **Working capital at end of year** | $167 559 | $149 624 |
| **Analysis of changes in working capital:** | | |
| Cash and short-term investments | $(12 292) | $ 21 785 |
| Receivables | (3 276) | 33 688 |
| Inventories | (21 579) | 6 906 |
| Short-term borrowings | (6 949) | 27 731 |
| Progress collections | 15 212 | (26 994) |
| Taxes payable | 29 258 | (27 218) |
| Accounts payable and other accruals | 16 928 | (19 219) |
| All other | 633 | (2 674) |
| **Net increase in working capital** | $ 17 935 | $ 14 005 |

The summary of significant Accounting Policies on page 20 and the Notes to Financial Statements on pages 24-27 are an integral part of this statement.

These notes amplify and explain the more significant items included in the Financial Statements on pages 21-23 and the application of accounting principles, including those specially discussed on page 20.

**1. Sales**
Comparative sales for each major category of business appear with the highlights of operations on Page 1.

**2. Employee compensation, including benefits**
Employee compensation and benefits amounted to $287.9 million in 1976 compared with $263.5 million in 1975. The cost of benefits included $21.0 million for Company pension and self-insured life and health plans ($16.7 million in 1975) and $13.1 million of Company costs for government pension plans, unemployment insurance, workmen's compensation and health insurance ($10.3 million in 1975).

The number of employees averaged 17,512 in 1976 compared with an average of 18,789 in 1975. During 1976, 17 persons served as Company directors and 29 as Company officers, including 2 who also served as directors. The aggregate 1976 remuneration to directors for their services as directors amounted to $40,750 and the aggregate 1976 remuneration to Company officers was $2,688,741.

Canadian General Electric and its subsidiaries have a number of pension plans. Substantially all employees of the Company who have completed one year of service participate in the Canadian General Electric Pension Plan. The obligations of this plan are funded through the Canadian General Electric Pension Trust. Unfunded obligations of the Pension Trust at December 31, 1976, are estimated at $83.0 million, which resulted from significant plan improvements made principally in 1976. These obligations are being funded over varying periods up to 15 years in accordance with government legislation.

Investments of the Pension Trust are carried at cost plus a programmed portion of unrealized appreciation, which will result in a common stock book value of no more than 90% (75% up to and including 1975) of its average market value over the prior five years (three years up to and including 1975). At December 31, 1976, the book value of common stock was 85% of its five year average market value. Condensed Financial Statements of the Trust are presented opposite:

**Canadian General Electric Pension Trust**
**Condensed financial statements**

**Operating statement**

| | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Company contributions | $ 13 246 | $ 10 011 |
| Employee contributions | 4 800 | 4 188 |
| Dividends, interest and sundry income | 11 004 | 9 400 |
| Capital gains (losses) | 17 | (861) |
| Unrealized appreciation recognized | 2 524 | – |
| Pensions paid | (9 185) | (7 711) |
| | 22 406 | 15 027 |
| Assets transferred from an affiliated company's pension fund | 1 027 | – |
| Total assets at beginning of year | 157 782 | 142 755 |
| Total assets at end of year | $181 215 | $157 782 |

**Financial Position**

| December 31 | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Investments | $175 793 | $148 997 |
| Other assets (net) | 5 422 | 8 785 |
| Total assets | $181 215 | $157 782 |

**3. Other income**

| | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Net earnings of sales finance subsidiaries | $ 467 | $ 378 |
| Income from: | | |
| Royalty and technical agreements | 1 221 | 1 516 |
| Customer financing | 1 956 | 1 888 |
| Long-term receivables | 3 113 | 1 955 |
| Short-term and other investments | 788 | 610 |
| Other sundry income | 842 | 819 |
| | $8 387 | $7 166 |

### 4. Provision for income taxes

| | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Currently payable | $25 684 | $20 254 |
| Deferred | (2 790) | 7 952 |
| | $22 894 | $28 206 |

The tax effect of timing differences between book and taxable income is recognized and is reflected as deferred income taxes in the Consolidated Statement of Financial Position.

### 5. Extraordinary items

| | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Gain on sale of unused properties | $ 2 264 | $ 950 |
| Credits arising from sale of heavy water plant | — | 6 810 |
| | $2 264 | $7 760 |

The extraordinary items are shown after deducting income taxes payable of $157 thousand for 1976 ($28.3 million for 1975, less tax allocation credits applicable thereto of $33.3 million recorded in prior years).

### 6. Retained Earnings, Beginning of Year as Restated

Retained earnings at beginning of year have been restated to give effect to the undernoted adjustments to prior years earnings.

| | (In thousands) |
|---|---|
| Accrual for estimated pensioners' life insurance benefits self insured by the company, less related deferred income taxes of $5.1 million. Prior to 1976 the cost of this program was charged to earnings as paid | $ 6 507 |
| Accrual for past service costs arising from certain pension plan improvements considered to relate to prior years, less related deferred income taxes of $3.7 million | 4 744 |
| Accruals for other items, considered to relate to prior years, less related deferred income taxes of $869 thousand | 1 407 |
| | $12 658 |

The change in accounting for pensioners' life insurance from the cash basis to the accrual basis, and the accrual for past service costs for certain pension plan improvements has been applied retroactively and had no material effect on net earnings for 1976 and 1975.

### 7. Dividends declared

| | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Common shares | $11 450 | $17 634 |
| Convertible preferred shares | — | 404 |
| Special employees' preferred shares | 5 | 6 |
| | $11 455 | $18 044 |

During the year, dividends were declared on common shares at a rate of $1.40 per share and on the special employees' preferred shares at the rate of $2.50 per share.

### 8. Short-term investments

Short-term investments are comprised of interest-bearing loans secured by commercial paper due on demand or within periods generally not exceeding 30 days.

### 9. Receivables

| December 31 | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Customers' accounts | $136 998 | $145 372 |
| Non-consolidated subsidiaries | 902 | 46 |
| Affiliated companies | 5 722 | 4 360 |
| Progress payments to suppliers | 33 104 | 31 993 |
| Other receivables | 8 272 | 6 503 |
| | $184 998 | $188 274 |

### 10. Inventories

| December 31 | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Raw materials and work in process | $108 845 | $131 521 |
| Finished goods | 73 640 | 62 351 |
| Unbilled shipments | 15 131 | 25 323 |
| | $197 616 | $219 195 |

Unbilled shipments represents the cost of products shipped, for installation at customers' sites, to which title has not passed.

The last-in, first-out (LIFO) method is used in determining the cost of a major portion of copper and aluminum content of inventories.

### 11. Costs recoverable under contract

Costs recoverable under contract represents amounts recoverable under terms of secured contracts with customers which mature on December 31, 1977.

### 12. Long-term receivables

Long-term receivables were discounted at interest rates prevailing at the time of the related transactions. Discounts are amortized over the term of such receivables.

### 13. Long-term investments

Long-term investments include the Company's investment in non-consolidated sales finance subsidiaries. Condensed consolidated financial statements of these subsidiaries appear below.

**Genelcan Limited** and its subsidiary Genelcan Realty Limited

**Condensed consolidated statement of financial position**

| December 31 | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| **Assets** | | |
| Finance Receivables: | | |
| Commercial and industrial | $29 847 | $15 685 |
| Equipment leases | 1 897 | 1 079 |
| Real estate | 29 823 | 20 934 |
| Wholesale and other | 1 269 | 1 446 |
| | 62 836 | 39 144 |
| Less: | | |
| Unearned income | 6 303 | 3 340 |
| Allowance for doubtful accounts | 977 | 587 |
| | 7 280 | 3 927 |
| **Net receivables** | 55 556 | 35 217 |
| Other assets | 1 043 | 515 |
| | $56 599 | $35 732 |
| **Liabilities** | | |
| Short-term | $26 650 | $12 249 |
| Long-term | 24 945 | 19 946 |
| | 51 595 | 32 195 |
| **Equity** | 5 004 | 3 537 |
| | $56 599 | $35 732 |

**Condensed consolidated statements of earnings**

| For the year | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Earned income | $7 058 | $4 242 |
| Interest and other expenses | 6 160 | 3 483 |
| Earnings before income taxes | 898 | 759 |
| Provision for income taxes | 431 | 381 |
| Net earnings | $ 467 | $ 378 |

Copies of Genelcan Limited's 1976 Annual Report may be obtained by writing to Genelcan Limited, 18 King Street East, Toronto, Ontario, M5C 1C8.



### 14. Plant and equipment

| December 31 | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Major classes as of December 31: | | |
| Land and improvements | $ 4 372 | $ 4 431 |
| Buildings and structures | 86 013 | 84 680 |
| Machinery and equipment | 193 303 | 183 620 |
| Leasehold improvements | 1 077 | 939 |
| | 284 765 | 273 670 |
| Less accumulated depreciation: | | |
| Buildings and structures | 51 391 | 49 729 |
| Machinery and equipment | 142 074 | 135 211 |
| Leasehold improvements | 326 | 239 |
| | 193 791 | 185 179 |
| Undepreciated cost at December 31 | $ 90 974 | $ 88 491 |

### 15. Short-term borrowings

Short-term borrowings at December 31, 1976 included $1.5 million due to Canadian chartered banks compared with $0.9 million at December 31, 1975.

### 16. Accounts payable

Accounts payable include amounts due to affiliated companies of $23.8 million at the end of 1976 and $38.4 million at the end of 1975.

### 17. Taxes payable

Taxes payable at December 31, 1975 included income taxes of $28.3 million arising from the disposition of the heavy water plant which were paid in 1976.

### 18. Other liabilities and accruals

| December 31 | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Employee compensation and benefits | $18 217 | $22 855 |
| Employee payroll deductions | 6 437 | 5 355 |
| Repairs and replacements under warranty | 17 194 | 16 826 |
| Accrued discounts and allowances | 8 112 | 6 402 |
| Other | 21 549 | 14 929 |
| | $71 509 | $66 367 |

Other includes accrued amounts due to affiliated companies of $3.3 million at the end of 1976 and $3.0 million at the end of 1975.

## 19. Non-current accruals

| | (In thousands) |
|---|---|
| Accrual for Pensioners life insurance benefits self-insured by the company | $13 545 |
| Accrual for past service costs arising from certain pension plan improvements | 6 461 |
| | 20 006 |
| Less amount due within one year included with other liabilities and accruals | 2 600 |
| | $17 406 |

## 20. Capital stock

| | 1976 | 1975 |
|---|---|---|
| | (In thousands) | |
| Common shares | | |
| Authorized, issued and outstanding 8 178 000 shares without nominal or par value | $26 942 | $26 942 |
| Special employees' preferred shares | | |
| Cumulative redeemable at par value of $50 per share. | | |
| Authorized, issued and outstanding 1746 shares (1975–2184 shares) | 88 | 109 |
| | $27 030 | $27 051 |

## 21. Contingent liabilities

The Company is contingently liable under guarantee for notes payable by its non-consolidated sales finance subsidiary, Genelcan Limited, amounting to $50.0 million. Other contingent liabilities consisting of letters of credit, guarantees, pending litigation and claims are not considered material in relation to the financial position of the Company.

## 22. Temporary economic controls

The Company is subject to the Anti-Inflation Act and Regulations which became effective on October 14, 1975, and which provide for restraints on prices, profit margins, compensation to employees and dividend payments to shareholders.

## 23. Subsequent event

On January 4, 1977, the Company merged, effective January 1, 1977, its major appliance manufacturing, marketing, distribution and service business with the major appliance business of GSW Limited – GSW Limitée, forming a new company, Canadian Appliance Manufacturing Company Limited, in which the Company holds 50% of the voting stock and has a 60% equity interest.

# AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consolidated subsidiaries as of December 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as of December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in the basis of accounting referred to in note 6 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada
January 28, 1977

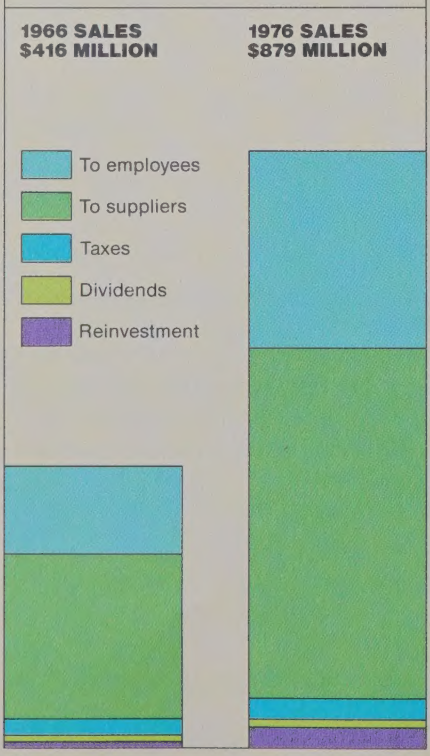
Peat, Marwick, Mitchell & Co.
Chartered Accountants

# TEN YEAR SUMMARY

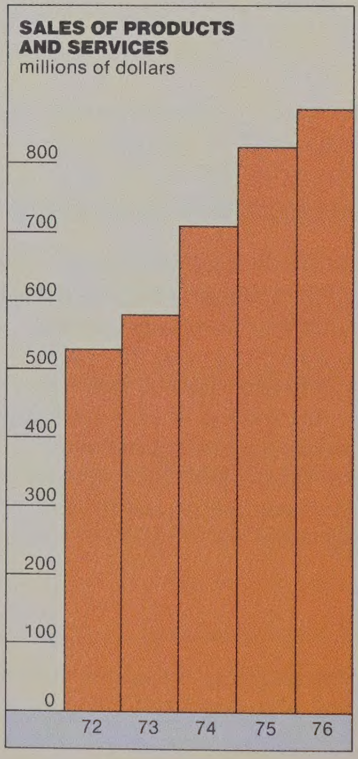
| (Dollar amounts in thousands, except per share amounts) | 1976 |
|---|---|
| Sales of products and services | $879 427 |
| Net earnings (before extraordinary items) | 32 699 |
| —per share | 4.00 |
| —as a percentage of sales | 3.7% |
| Market price of last sale of the year: | |
| Per common share | $23.00 |
| Dividends on common shares: | |
| —regular | $1.40 |
| —special | |
| Current assets | $406 778 |
| Current liabilities | 239 219 |
| Total assets | 571 187 |
| Plant and equipment additions | $21 127 |
| Depreciation | 15 739 |
| Provision for income, property, and capital taxes | 30 483 |
| Average number of employees | 17 512 |

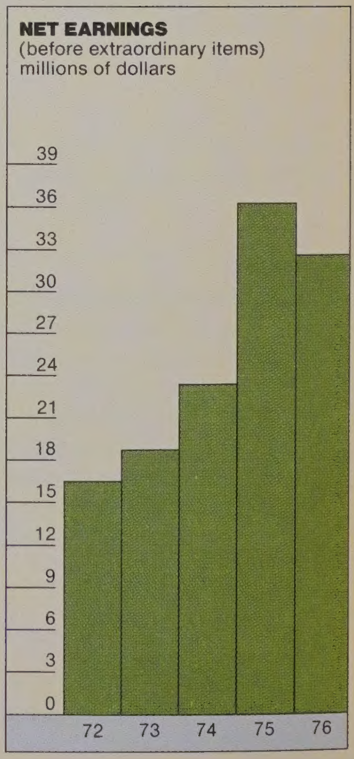
# DISTRIBUTION OF SALES REVENUE

In serving its customers at home and abroad, CGE holds itself responsible as a Canadian business enterprise to four major groups: its employees, its suppliers, its shareowners and the public at large.

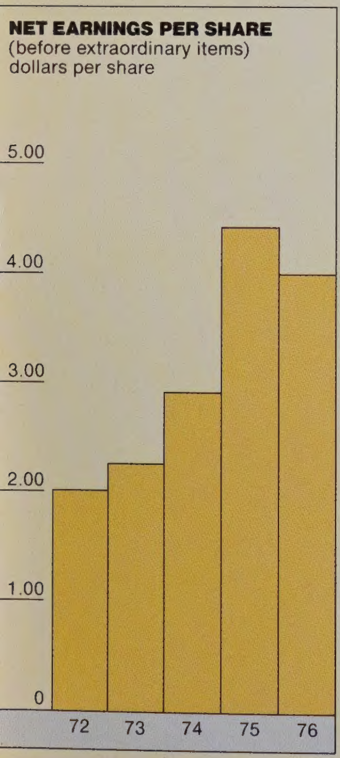


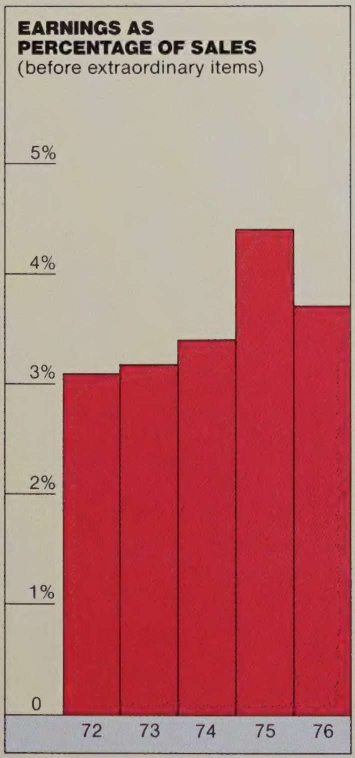

# FIVE YEAR SUMMARY

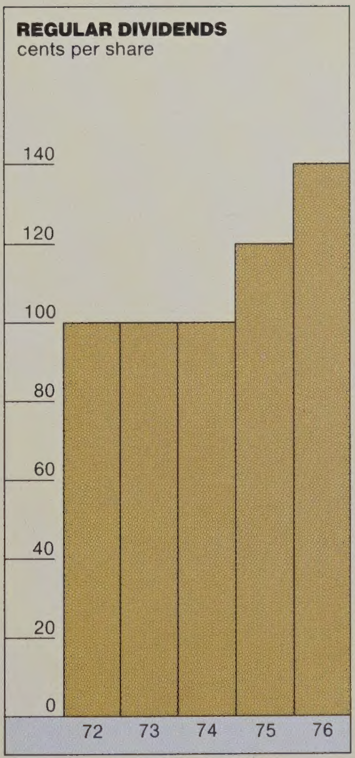


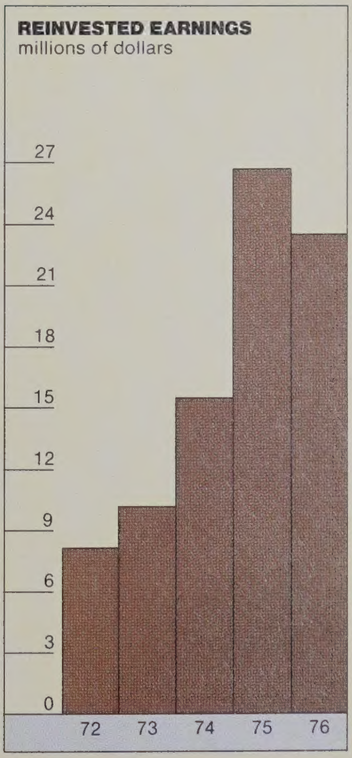



| 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 |
|---|---|---|---|---|---|---|---|---|
| $822 134 | $709 913 | $583 414 | $530 174 | $495 755 | $489 992 | $492 341 | $454 674 | $427 363 |
| 36 075 | 23 893 | 18 680 | 16 504 | 13 212 | 11 359 | 14 901 | 13 823 | 13 738 |
| 4.41 | 2.92 | 2.28 | 2.02 | 1.62 | 1.39 | 1.82 | 1.69 | 1.68 |
| 4.4% | 3.4% | 3.2% | 3.1% | 2.7% | 2.3% | 3.0% | 3.0% | 3.2% |
| $24.25 | $20.00 | $26.50 | $32.00 | $28.00 | $19.50 | $24.50 | $33.50 | $33.00 |
| $1.20<br>$1.00 | $1.00 | $1.00 | $1.00 | $1.00 | $1.00 | $1.00 | $1.00 | $1.00 |
| $441 296 | $382 615 | $256 300 | $233 667 | $240 943 | $253 379 | $256 127 | $241 028 | $244 962 |
| 288 830 | 246 996 | 131 572 | 126 543 | 141 864 | 149 819 | 161 007 | 132 139 | 128 266 |
| 602 435 | 563 754 | 429 720 | 409 951 | 412 918 | 409 922 | 417 818 | 381 040 | 354 315 |
| $21 094 | $24 775 | $14 194 | $15 042 | $16 712 | $18 320 | $40 351 | $45 349 | $36 431 |
| 16 840 | 18 491 | 16 481 | 17 241 | 12 615 | 13 374 | 13 849 | 13 382 | 12 583 |
| 34 560 | 24 793 | 21 347 | 20 617 | 14 845 | 14 641 | 17 343 | 18 168 | 16 735 |
| 18 789 | 19 193 | 17 890 | 17 583 | 17 950 | 19 789 | 21 268 | 20 866 | 21 749 |



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